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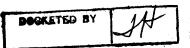
Commissioner - Chairman

RENZ D. JENNINGS

Commissioner

CARL J. KUNASEK Commissioner FFB 06 1998

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DOGGMENT CONTROL

IN THE MATTER OF THE COMPETITION IN THE PROVISION OF ELECTRIC SERVICES THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. RE-00000C-94-0165 (formerly U-0000-94-165)

JOINT COMMENTS OF DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.; GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.; TRICO ELECTRIC COOPERATIVE, INC. AND SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE "COOPERATIVES")

In lieu of oral participation in the public comment session, the Cooperatives jointly submit these written comments in relation to the above entitled matter. Each is an Affected Utility and is a nonprofit, distribution member owner of Arizona Electric Power Cooperative, Inc. ("AEPCO") serving rural areas of the state pursuant to Certificates of Convenience and Necessity issued by this Commission. The Cooperatives are customer owned and customer operated. Their Boards are elected by their customer owners and, in turn, the Cooperatives elect representatives which comprise the AEPCO Board. Since they have no shareholders to provide them capital, they must rely upon borrowing for additional capital. the extent they are financially able to do so, their net margins are returned to their customers. The Cooperatives would like to highlight four points.

First, the Cooperatives support the positions taken by AEPCO in this proceeding and the testimony filed by Messrs. Minson, Hedberg and Edwards.

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Second, stranded cost recovery is a vital issue for the Cooperatives and AEPCO as we transition to a competitive market, but at the same time retain our obligation to serve many of the highest cost areas in this state. Disallowed stranded costs take equity from our member customers and weaken the Cooperatives' financial ability to provide service at the lowest, reasonable cost.

Third, the Cooperatives are distribution entities. In addition to generation related stranded cost exposure, they also may have stranded costs at the distribution level. Likely examples would be meter costs or idled computer or personnel capacity as a result of distribution services that are subject to competition under the Commission's Rules. However, the nature and extent of these types of stranded costs will not be known until competition is underway. For these reasons, the Cooperatives ask that Commission reject suggestions οf arbitrary cutoff dates limitations periods for requesting and demonstrating stranded costs and allow a reasonable time to identify and quantify these stranded costs.

Finally, some parties to this proceeding have suggested rate caps, price freezes or both. The costs of operating distribution systems continue and are subject to the inflationary, growth and other financial pressures as they have always been. The Cooperatives seek to serve their customer owners at the lowest, reasonable cost consistent with reliable service. Their customer elected Boards view rate increases as last resorts. Nonetheless, they are sometimes necessary to maintain the financial

integrity of the Cooperatives. The Commission should reject positions which argue for arbitrary limits on rates. Such arbitrary limits could prohibit the Cooperatives from maintaining financial viability.

RESPECTFULLY submitted this 6th day of February, 1998.

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